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DEPT OF ENERGY FOR A/S KAREN HARBERT, TOM CUTLER, CGILLESPIE

E.O. 12958: DECL: 05/24/2017

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SUBJECT: IRAQ'S OIL MINISTER TO SEEK INDIAN INVESTMENT
DURING DELHI VISIT

Classified By: Charge d'Affaires Geoffrey Pyatt for Reasons 1.4 (B, D)

¶1. (C) Summary. Iraqi Oil Minister Hussein al-Shahristani will visit India May 25-28, leading a delegation from a broad spectrum of the Iraqi government, in addition to several businesspeople. The main goal for Iraq is to get an Indian agreement for investment in either building a new oil refinery or partnering in operating an existing one, according to the Iraqi Embassy in New Delhi. Iraq will also seek broader direct investment. Since the war began, India's assistance to Iraq has been minimal, and any new major investment would be a welcome change in policy. End Summary.

Iraqi Oil Minister Arrives In India May 25

¶2. (C) Iraq Embassy (in New Delhi) Political Attaché Anas al-Neiami briefed Poloff on May 24 on the upcoming visit to India of an Iraqi delegation led by Oil Minister Hussein al-Shahristani. Al-Neiami reported the four-day visit begins May 25, is formally a reconstitution of the India-Iraq Joint Committee, and includes representatives from numerous Iraqi ministries, including Education, Planning, Agriculture, Trade, and Industry/Minerals, along with several businesspeople.

Goal: Indian Investment In Oil Sector

¶3. (C) While al-Shahristani will meet with his counterpart, Minister of Petroleum and Natural Gas Murli Deora, and discuss a range of bilateral issues, the purpose of the visit is to seek Indian direct investment in Iraq's reconstruction, according to al-Neiami. Minister al-Shahristani will specifically ask for India to invest in an oil refinery, either to build one or to partner in an existing one, al-Neiami said. India had been granted a couple contracts,

on Block 8 and as part of a consortium for the Tuba oilfield, during the Saddam Hussein regime. Al-Neiami described Iraq's latest offer as a way for India to recover money lost from pre-war endeavors, by being granted investments into the Iraqi economy at this time. Al-Shahristani will be accompanied by experts from Iraq's Oil Ministry, and the group will visit an India's Mathura refinery near Agra. They will also meet with India's Oil and National Gas Corporation (ONGC) to discuss the modalities of any potential investment.

"India could own a refinery or be a partner - the Iraq side is open," al-Neiami asserted, adding India has made no formal commitments at this time. "What we want is India's technology and efficiency. We hope they would get involved in producing petroleum and diesel, in addition to crude oil."

India Concerned With Guarantees, Legalities, Security

¶4. (C) The Indian government has been focusing its questions to date on two main issues: 1) what kinds of guarantees are being offered with such investments; and 2) what are the specifics in Iraq's new laws on foreign ownership of oil assets, particularly banking procedures. India is also considering investing only in areas it deems secure, according to al-Neiami, in the far north or south of Iraq. In working level discussions preparing for this visit, al-Neiami stated that Indian officials have been stressing the historical ties between India and Iraq, and the similarities in terms of climate and civilization. India will include Iraq experts in meetings, including businessmen whose ties to Iraq go back 20 years prior to the war, as well as Iraq watchers from prominent trade organizations such as

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the Confederation of Indian Industries (CII), the Federation of Indian Chambers of Commerce and Industry (FICCI) and Assocham.

Also Seeking Broader Investment

¶5. (C) In addition to seeking investments in the oil industry, the delegation will seek broader investment in education, trade and agriculture. It will offer India the opportunity to also run cement factories, in which al-Neiami said India has relevant experience successfully running.

¶6. (C) Al-Neiami offered to provide Poloff a full readout on the visit after al-Shahristani returns to Baghdad.

Comment: A Welcome Change In Indian Policy

¶7. (C) Comment. Until now, India's official policy has been that it "remains ready to assist in the reconstruction" of Iraq, but true assistance has been sorely lacking. India committed USD 20 million in assistance at the Madrid Donors' Conference and another USD 10 million to the two Iraqi trust funds administered by the UN and World Bank. It has also given minimal assistance through the provision of certain commodities and through human resource development, such as the 125 annual slots under the Indian Technical and Economic Cooperation (ITEC) program and 50 scholarships for higher education. To be sure, India will avoid anything to do with involvement in Iraq's security situation, and would make these investments strictly for its own interests, which include re-engaging in a meaningful way with a centuries-old friend. But clearly the attraction for India is access to Iraq's enormous oilfields. With 10-13% of Indian oil imports coming from the increasingly volatile Iran, Iraq offers an attractive diversification opportunity for India's enormous and rapidly growing energy needs. Regardless of the reason, if this visit succeeds - and all indications are that it will - India's return to direct investment would be a welcome change from its heretofore hands off approach on Iraq. End comment.

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